

**Testimony of Ron Ness  
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**Before the Senate Committee on Energy and Natural Resources'  
Subcommittee on Energy**

“Pathways to Lower Energy Prices”

*July 13, 2022*

**Introduction**

Chair Hirono, Ranking Member Hoeven, and members of the Subcommittee, thank you for inviting me to testify today on pathways to lower energy prices. As President of the North Dakota Petroleum Council (NDPC), I am proud of the many contributions our North Dakota oil and natural gas producers have made to our domestic energy industry and look forward to discussing how our full potential can be unleashed.

Established in 1952, the NDPC is a trade association that represents more than 600 companies involved in all aspects of the oil and natural gas industry, including oil and natural gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oil field service activities in North Dakota, South Dakota, and the Rocky Mountain Region.

**Energy Prices**

All Americans, including North Dakotans, are feeling the impacts of rising energy prices. With an inflation rate at its highest level since the 1980s, grocery prices up more than ten percent, and gas prices at record highs, we must work together to provide the solutions needed for consumers across the country.

Increasing American oil and natural gas production will help reduce prices, but it does not occur with the flip of a switch. Industry faces numerous hurdles to increasing production, including access to new leases, permits, and easements on federal lands, burdensome regulations, difficulty in building infrastructure, rig availability, workforce availability, increased input costs, supply chain uncertainty, and access to new capital investment.

If we are going to find solutions, we must recognize where the problems exist. The White House will tell you this is a result of Russia's war on Ukraine. While this has enhanced the price increases, the increase in gas prices is a direct result of increased demand coupled with production restraints caused by anti-oil and gas policies put into place by the Biden Administration.

In January 2021, this Administration announced plans to transition away from fossil fuels and is working to implement policies within every possible federal agency to move in that direction. Executive Orders have been issued, proposed regulations have been published, and previous regulations have been rescinded, creating a highly uncertain and unpredictable regulatory environment. This makes it both costly and difficult for the highly regulated energy sector to plan and grow energy production.

We, as an industry, want to work collaboratively with Congress and the Administration to address this current energy crisis. Together, we can focus on serious solutions that will increase American production and enhance our energy and national security.

### **Mixed Messages**

One of the most significant obstacles the oil and natural gas industry faces in its efforts to meet growing energy demand is difficulty attracting the capital investments necessary to maintain, stimulate, and expand exploration and production. In the Bakken, we need \$20 million per day of investment to substantially grow production.

Investor hesitancy is being driven by the rhetoric that it is time for our country to leave fossil fuels completely behind. The power of the bully pulpit is real, and the words of our leaders matter. If government leaders say they are doing everything in their power to put an end to an industry, a strong market signal is sent that the industry might not be a sound investment.

Amidst their messaging and regulatory efforts to hamstring our industry, the President and his Cabinet are calling on us to increase production. This contradictory messaging is confusing and creates added uncertainty in the market.

This could all change tomorrow if the President and Congress changed their message to the American people, bankers, investors, and workers that we need American oil and natural gas and that our industry has their support. They could

instruct federal agencies to do everything within the law to encourage and facilitate more production.

Our industry has been accused of taking advantage of high prices to enrich shareholders by investing in dividends and stock share buy-backs rather than investing in additional exploration and development.

Besides the operational challenges of labor and supply availability and costs, our industry's investment decisions are being driven by the market and what matters to their investors. This Administration and many in Congress are telling the market that fossil fuels are not here to stay, that they are not a stable long-term investment. So even at a time of record profits, we are not seeing companies reinvest in growing production because the market is signaling that is not a sound investment.

We all know that fossil fuels will be around for decades to come. But we need positive reinforcement from the leaders in our country to assure all Americans that they are committed to our energy security. Energy security is national security, and we must not lose sight of that.

### **Foreign vs. Domestic**

We appreciate the President's acknowledgement that we are in a crisis and need more oil supply to bring down energy prices. However, as he travels to foreign countries searching for more oil resources from countries with demonstrated human rights abuses and poor environmental standards, he is ignoring the vast oil and natural gas resources we have here in the United States.

We do not need to look to other countries to produce more oil. We have the resources and the capabilities to produce everything we need here at home. A stable domestic supply of oil and natural gas directly contributes to a strong national and economic security position, and we are proud of the role we play in ensuring our security.

Russia has weaponized its position as one of the top oil and natural gas producers in the world as it supplies our enemies and holds our allies hostage. We must maximize our production, not only to supply our domestic needs but also to assist our allies.

Iran produces 2.5 million barrels of oil per day, almost all of which goes to China. As China enriches Iran, Iran enriches uranium, and we enrich China, a country that

owns 85% of the world's rare earth metals needed for the so-called "energy transition" away from fossil fuels. California imports 56% of its oil, mostly from Ecuador, Saudi Arabia, and Iraq. Ecuador has among the worst environmental greenhouse gas standards in the world with a flaring intensity 3.2 times that of the United States according to the World Bank.

These nations do not hold themselves to the same environmental standards as the United States. If our leaders are concerned about lowering greenhouse gas emissions throughout the world as soon as possible, we should produce more oil and natural gas domestically where we have stricter environmental standards and much lower emissions than the countries from which the President is seeking oil. These actions directly increase, not decrease, overall greenhouse gas emissions.

These facts lead to one question: Is this transition away from fossil fuels really about what is best for the planet, or is it simply about shutting down an entire industry because it has fallen out of favor with the ruling class? Elimination of fossil fuels may poll well in certain parts of the country, but only because the true impacts of life without energy have never been realized.

In March 2022, North Dakota's oil production was 1,122,640 barrels per day. This is about 400,000 barrels of oil per day lower than the state's peak production in November 2019. United States officials have discussed the possibility of importing more oil from Venezuela to help meet demand. The entire country of Venezuela only produced 668,000 barrels of oil per day in January 2022. By just ramping up North Dakota production to our previously high levels, we could go a long way towards filling the need without relying on Venezuela. The same logic would apply to relying on Iran, Libya, Saudi Arabia, or any other unstable country for that supply. Not to mention the additional supply we would see if other oil-producing states were able to ramp back up to late 2019 levels.

### **Benefits to North Dakota and the Country**

Nearly fifteen years ago, the combination and perfection of horizontal drilling and hydraulic fracturing paved the way for the oil shale boom in the United States. At a time when Americans were concerned that the nation was running out of domestic oil supplies, this new technology allowed us to tap into vast reserves of oil and natural gas right here at home.

The growth of oil production in the Bakken not only helped drive overall domestic production, but it also created a plethora of new opportunities for the citizens of

North Dakota. Rather than losing population to other states because of limited job opportunities, young people began to move to or remain in North Dakota to attend school and pursue high-paying careers. We are now building new schools to accommodate that growth instead of closing them due to outmigration.

Currently, one in five workers in North Dakota are employed either directly or indirectly by the oil and natural gas industry. Tax revenues from the industry make up 53% of total state revenues. This is not an industry our state can live without, nor can the nation thrive without our energy.

North Dakota Governor Doug Burgum and the state Legislature have been encouraging innovation, not regulation, as a pathway to cleaner energy, and we work in partnership with the state to achieve this goal. The state of North Dakota has also established the Clean Sustainable Energy Authority to reinvest oil production tax revenues to achieve these goals. Our technology is constantly improving. Our horizontal wellbores are getting longer (now three miles instead of two) and our surface footprint and wellsite emissions continue to decrease.

There are over a hundred thousand private mineral royalty owners and several thousand surface owners in the Bakken. Those private individuals, combined with the regulatory oversight provided by the North Dakota Industrial Commission (NDIC), create an atmosphere that favors environmental innovation versus forceful overregulation.

Besides state regulators and interested royalty owners, our industry employs tens of thousands of people who live where they work and have a vested interest in environmental stewardship. We scrutinize ourselves. Oil producers were working on setting and achieving Environmental, Social, and Governance (ESG) goals before anyone else. Foreign oil producers cannot claim the same environmental success that we do.

North Dakota is also leading the way towards carbon capture and sequestration technology. We recently began storing carbon dioxide in an aging oil field, which will result in more oil production while also reducing carbon dioxide emissions and essentially creating carbon-negative barrels of oil.

There is a proposed pipeline underway that will gather carbon dioxide produced by ethanol plants across the Midwest for permanent storage in central North Dakota. This carbon dioxide would be stored in purpose-drilled wells in an ideal geological

formation using the technology, tools, know-how, and personnel of our industry, which shows how we are leading the way in innovative solutions.

## **Regulatory Certainty**

If we are serious about ramping up production, we need to look at the layers of regulations that operators must work through to start producing. Leasing, permitting, drilling, completing, and producing wells, and then transporting oil and natural gas to market can sometimes take years. A lot of this time can be spent working through the permitting process, which requires compliance with all federal regulations. If we want to ramp up production, looking at ways to streamline regulations and permitting is an important place to start.

The American Petroleum Institute recently published a [Ten-Point Policy Plan to Restore U.S. Energy Leadership and Fuel Economic Recovery](#) (see attached). We urge lawmakers to seriously consider these policies they can act on now.

We also appreciate the efforts of Senator Hoeven to address some of these regulatory hurdles by introducing S. 4227, which would streamline the oil and natural gas permitting process. This bill would require at least 50 percent federal mineral interest in a drilling spacing unit before federal Bureau of Land Management (BLM) permits would be required to drill.

This legislation would be especially helpful in North Dakota where we have a split-estate, essentially a checkerboard of federal and private mineral ownership under private surface ownership. A minimal presence of federal minerals triggers the full BLM permitting requirements, which can be very burdensome and even discourage or stop production of private minerals in the process.

Another issue we face with this split-estate is there are unleased federal minerals mingled with leased federal and private minerals. These unleased federal minerals are preventing private minerals from being produced, creating inefficiencies and lost revenues. Our operators stand ready to work with the Department of Interior and the BLM to identify unleased parcels in areas that are already being developed so we can maximize production and efficiency and return valuable royalty revenue to the federal taxpayer.

These types of small changes would go a long way in helping to grow energy production and reduce energy supply disruptions.

This split-estate also presents challenges that the BLM has both caused and could help overcome. Although the BLM recently conducted the first onshore lease sales of this administration – only after being ordered to do so by a federal district court – it intentionally reduced the amount of acreage being offered for lease by approximately 80% from the amount that had already been nominated and undergone environmental review<sup>1</sup>.

Further, in North Dakota, that reduction eliminated some of the parcels from potential leasing on the most prospective acreage that could have incentivized further development of the valuable Bakken Shale resources. The parcels remaining in the auction were primarily only those that had either already been developed and through the recent resolution of a title dispute were now available to lease or parcel – also of which the Department of Interior either knew or should have known were not prospective for development. In the sale package for the Montana-Dakotas field office, this resulted in a full 55.4 percent of the acreage on-offer not receiving a single bid, even with commodity prices at their current high.

This intentional sabotage of the congressionally mandated lease sale process is damaging to the United States government through the loss of potential revenue and to the State of North Dakota on a magnified basis due both to the direct loss of revenue and the forestalled development opportunities on the split-estate. Every citizen of the country also experiences the damage through the dizzying prices resulting for them at the fuel pump, the grocery store, and every time they pay their bills because of the increased supply that the Biden administration has intentionally blocked.

## **Long-Term Commitment**

As our industry continues to invest in production, it is critical that our product reaches the market. Our industry will need pipeline and refining capacity to keep pace with our country's projected future growth. It has become very difficult to build pipelines in our country and almost impossible to build new refineries. This must change. If we are serious about ending this crisis, we need investment and regulatory certainty to build the infrastructure necessary to transport and refine our products.

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<sup>1</sup> <https://www.doi.gov/pressreleases/interior-department-announces-significantly-reformed-onshore-oil-and-gas-lease-sales>

## **Conclusion**

If we want affordable and reliable energy, it is up to America to produce it. The good news is that we know we have significant resources, specifically in the Bakken in North Dakota as well as other unconventional shale plays across the country. With the right policies in place, our domestic oil and natural gas producers can increase production and contribute to lowering energy prices.

We need energy champions. We need our leaders to stand up and say they are willing to partner with the hardworking men and women of the oil and natural gas industry, to support our efforts, and clear a path for us to do what we do best – produce American oil and natural gas. This is not a time to wind down or move away from our industry. It is a time to invest in it and build it up as an America First solution.

We stand ready to work with our Senators to move forward in solving the issues I have outlined and lower energy prices for everyone. I invite you to North Dakota to see firsthand how energy production can work in harmony with our shared environmental goals.



# 10 IN 2022

## TEN POLICIES TO UNLEASH AMERICAN ENERGY & FUEL RECOVERY



American  
Petroleum  
Institute

America's core promise – the freedom to be, to create, to aspire – drives the opportunity for all Americans to have better lives and reach new heights. **American energy empowers American opportunity.** Given today's global unrest and economic uncertainty, this has never been more true.

Americans have been here before, with fuel shortages in the 1970s serving as a vivid reminder. **Today, energy demand is outstripping supply.** Inflation is the highest it has been in 40 years. Fuel prices have soared. Putin's brutal aggression in Ukraine has united the West against his regime and the energy he once sold to Europe. It is all connected – and alarming. But a solution is beneath our feet.

Our nation is blessed with abundant natural gas and oil that is the envy of other countries. It is a foundation of our economy, **supporting more than 11 million U.S. jobs**, and makes our American way of life possible. It has revived Main Street storefronts, restored U.S. manufacturing, driven job creation and bolstered our nation's ability to compete. It has made America safer in a turbulent world.

Given global circumstances, it is time for an energy awakening – for the natural gas and oil supply chain and the government at all levels to open a new era of working together **to ensure that essential energy resources are unlocked; to encourage investment opportunities and accelerate infrastructure development; and to strengthen global energy security, affordability and reliability.**

**Bottom line:** Washington policymakers must confront the global mismatch between demand and supply that has driven higher fuel prices by supporting greater U.S. production. To address the growing crisis we face, Congress and the President must support energy investment, create new access and keep regulation from unnecessarily restricting energy growth. **The world is calling out for energy leadership. America can and should step up fast.**

### 10-POINT PLAN TO RESTORE U.S. ENERGY LEADERSHIP

- 1** Lift Development Restrictions on Federal Lands and Waters
- 2** Designate Critical Energy Infrastructure Projects
- 3** Fix the NEPA Permitting Process
- 4** Accelerate LNG Exports and Approve Pending LNG Applications
- 5** Unlock Investment and Access to Capital
- 6** Dismantle Supply Chain Bottlenecks
- 7** Advance Lower Carbon Energy Tax Provisions
- 8** Protect Competition in the Use of Refining Technologies
- 9** End Permitting Obstruction on Natural Gas Projects
- 10** Advance the Energy Workforce of the Future

1

### **Lift Development Restrictions on Federal Lands and Waters**

The Department of the Interior (DOI) should swiftly issue a 5-year program for the Outer Continental Shelf and hold mandated quarterly onshore lease sales with equitable terms. DOI should reinstate canceled sales and valid leases on federal lands and waters.

2

### **Designate Critical Energy Infrastructure Projects**

Congress should authorize critical energy infrastructure projects to support the production, processing and delivery of energy. These projects would be of such concern to the national interest that they would be entitled to undergo a streamlined review and permitting process not to exceed one year.

3

### **Fix the NEPA Permitting Process**

The Biden administration should revise the National Environmental Policy Act (NEPA) process by establishing agency uniformity in reviews, limiting reviews to two years, and reducing bureaucratic burdens placed on project proponents in terms of size and scope of application submissions.

4

### **Accelerate LNG Exports and Approve Pending LNG Applications**

Congress should amend the Natural Gas Act to streamline the Department of Energy (DOE) to a single approval process for all U.S. liquefied natural gas (LNG) projects. DOE should approve pending LNG applications to enable the U.S. to deliver reliable energy to our allies abroad.

5

### **Unlock Investment and Access to Capital**

The Securities and Exchange Commission should reconsider its overly burdensome and ineffective climate disclosure proposal and the Biden administration should ensure open capital markets where access is based upon individual company merit free from artificial constraints based on government-preferred investment allocations.

6

### **Dismantle Supply Chain Bottlenecks**

President Biden should rescind steel tariffs that remain on imports from U.S. allies as steel is a critical component of energy production, transportation, and refining. The Biden administration should accelerate efforts to relieve port congestion so that equipment necessary for energy development can be delivered and installed.

7

### **Advance Lower Carbon Energy Tax Provisions**

Congress should expand and extend Section 45Q tax credits for carbon capture, utilization, and storage development and create a new tax credit for hydrogen produced from all sources.

8

### **Protect Competition in the Use of Refining Technologies**

The Biden administration should ensure that future federal agency rulemakings continue to allow U.S. refineries to use the existing critical process technologies to produce the fuels needed for global energy markets.

9

### **End Permitting Obstruction on Natural Gas Projects**

The Federal Energy Regulatory Commission should cease efforts to overstep its permitting authority under the Natural Gas Act and should adhere to traditional considerations of public needs as well as focus on direct impacts arising from the construction and operation of natural gas projects.

10

### **Advance the Energy Workforce of the Future**

Congress and the Biden administration should support the training and education of a diverse workforce through increased funding of work-based learning and advancement of STEM programs to nurture the skills necessary to construct and operate oil, natural gas and other energy infrastructure.